

Amendment No. 1 to SB4162

Ketron
Signature of Sponsor

FILED

Date _____

Time _____

Clerk _____

Comm. Amdt. _____

AMEND Senate Bill No. 4162

House Bill No. 4118*

by deleting all language after the enacting clause and substituting the following:

SECTION 1. Tennessee Code Annotated, Section 9-18-102, is amended by deleting the existing language in its entirety and substituting instead the following:

(a) Each agency of state government and institution of higher education shall establish and maintain internal controls which shall provide reasonable assurance that:

(1) Obligations and costs are in compliance with applicable law;

(2) Funds, property and other assets are safeguarded against waste, loss, unauthorized use or misappropriation; and

(3) Revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

(b) To document compliance with the requirements set forth in subsection (a), each agency of state government and institution of higher education shall annually perform a management assessment of risk. The internal controls discussed in subsection (a) should be incorporated into this assessment. The objectives of the annual risk assessment are to provide reasonable assurance of the following:

(1) Accountability for meeting program objectives;

(2) Promoting operational efficiency and effectiveness;

(3) Improving reliability of financial statements;

(4) Strengthening compliance with laws, regulations, rules, and contracts and grant agreements; and

(5) Reducing the risk of financial or other asset losses due to fraud, waste and abuse.

SECTION 2. Tennessee Code Annotated, Section 9-18-103, is amended by deleting the existing language in its entirety and substituting instead the following:

The commissioner of finance and administration, in consultation with the comptroller of the treasury, shall establish guidelines for the assessment, by management of state agencies and higher education institutions, of the risks and systems of internal control to determine compliance with the requirements of §9-18-102. The commissioner, in consultation with the comptroller of the treasury, may modify such guidelines from time to time as deemed necessary.

SECTION 3. Tennessee Code Annotated, Section 9-18-104(b), is amended by deleting the existing language in its entirety and substituting instead the following:

(1) By December 31, 2008 initially, and then by December 31 of every year thereafter, the head of each state agency and higher education institution shall, on the basis of the evaluations conducted in accordance with guidelines prescribed under §9-18-103, prepare and transmit to the commissioner of finance and administration and the comptroller of the treasury a report which states that:

(A) the agency or institution acknowledges its management's responsibility for establishing, implementing and maintaining an adequate system of internal control; and,

(B) a management assessment of risk performed by the agency or institution provides or does not provide reasonable assurance of compliance with the objectives of the assessment as specified in this chapter.

(2) In the event that the agency's or institution's assessment does not provide reasonable assurance of compliance with the objectives of the assessment as stated in this chapter, the report shall include a corrective action plan that identifies (i) any significant deficiencies or material weaknesses in the

agency's or institution's system of internal control and/or lack of risk mitigating control activity, and (ii) the plans and the schedule for correcting such weaknesses.

SECTION 4. This act shall take effect upon becoming a law, the public welfare requiring it.